



ZignSec

Year-end Report

Q4 2021



ZignSec

ZignSec AB (publ) Year-end Report • 2021 | Org. No. 559016-5261

www.zignsec.com

Report highlights



Financial overview full year 2021

- Net revenue amounted to SEK 53.3 (14.0) million, an increase of 281% compared with the corresponding quarter the year before.
- The operating profit/loss before depreciation and amortization EBITDA amounted to SEK -24.0 (-12.5) million.
- Cash and cash equivalents amounted to SEK 25.9 (48.3) million.

Financial overview fourth quarter 2021

- Net revenue amounted to SEK 22.7 (4.1) million, an increase of 446% compared with the corresponding quarter the year before.
- The operating profit/loss before depreciation and amortization EBITDA amounted to SEK -2.9 (-4.6) million.
- Cash and cash equivalents amounted to SEK 25.9 (48.3) million.

Significant events during the fourth quarter

- ZignSec signed agreements with the auditing firms Deloitte and Grant Thornton for the use of ZignSec's solutions for KYC and KYB.
- The company signed an agreement with Wise (formerly Transferwise), for optimizing their current user registration and customer verification flow.

Significant events after the end of the fourth quarter

- ZignSec signed an agreement with Finaro (formerly Credorax), for utilization of ZignSec's customer due diligence-platform globally.
- ZignSec has signed an agreement with the digital payment solution AsiaPay, which has been named one of the top growing companies in Asia.

Summary A word from the CEO

ZignSec has made significant progress during the fourth quarter of 2021 with several new high-profile clients. While maintaining a strong growth trajectory we have onboarded clients such as Deloitte, Grant Thornton and Wise (formerly TransferWise) as well as further improved our product offering.

Looking forward, I am as positive as ever about the ZignSec group's potential.



Year-end Report 2021

Interim report Q4 2021

About the Group

ZignSec is a technology group in the fast-growing RegTech industry. The company provides SaaS platform with digital real-time solutions for customer due diligence and ID verification with global reach.

The solutions are used by companies that in turn can optimize their processes for "onboarding" both corporate customers and consumers and at the same time ensure compliance with ever-changing local and global regulatory requirements for Know Your Customer (KYC) and Anti Money Laundering (AML).

Financial summary

(mSEK)	Oct 1 - Dec 31 2021	Oct 1 - Dec 31 2020	Jan 1 - Dec 31 2021	Jan 1 - Dec 31 2020
Total revenue	23.6	4.2	54.4	14.5
Net revenue	22.7	4.2	53.3	14.0
Net revenue growth	446%	112%	281%	113%
EBITDA	- 2.9	- 4.6	- 24.0	- 12.5
Operating profit/loss (EBIT)	- 27.8	- 5.9	- 77.4	- 14.2
Net cash	24.3	48.3	24.3	48.3
Equity/Assets ratio	62%	91%	62%	91%
Average number of employees	83	18	58	13
Number of shares	33,831,244	22,306,880	33,831,244	22,306,880
Earnings per share (SEK)	-0.904	-0.236	-2.596	-0.659

A Word from the CEO

ZignSec has made significant progress during the last quarter of 2021 with several new high-profile clients and continued revenue growth. Net sales increased by 446% to SEK 22.7m from SEK 4.2m the same period last year. While maintaining a strong growth trajectory we have onboarded clients such as Deloitte, Grant Thornton and Wise (formerly TransferWise) as well as further improved our product offering.

We initiated the quarter by signing an agreement with global audit firm Grant Thornton. The agreement involves the provision of an inhouse developed Customer Relationship Management (CRM) system which Grant Thornton will use to manage existing and new customers and involves services such as Document verification, PEP and Sanction Screening, Ultimate Beneficial Owner checks and Companies House Lookups.

We followed up on this shortly after by signing an agreement with another audit firm, namely Deloitte in Germany. Deloitte Germany will utilize our subsidiary Web Shield's Versatile Customer Underwriting (VCU). VCU is a software-as-a-service solution to streamline the Know Your Business (KYB) processes by automating the corporate document retrieval process for various jurisdictions to identify the ultimate beneficial owners of legal entities as well as performing PEP and sanction screenings.

The audit and legal industries are key strategic fields in our effort to become a global infrastructure provider for regulated businesses. I am therefore happy to see that our efforts within the field have paid off so quickly and we continue to increase our efforts in this strategically important sector.

Another important client we onboarded in Q4 2021 is London Stock Exchange listed Wise (formerly TransferWise). Following a successful proof-of-concept period, we are currently rolling out a service with the objective to optimize user registration and verification flows on a global scale. We view this as a big achievement, demonstrating that our network of services is ready for usage on a global scale.

We have continued to work on unifying our now 87 people strong organization and its products. Unifying the organization and structure is very important not only for IT efficiency but also for our sales efforts that are now streamlined throughout the group. This unity also gets manifested in our new SaaS portal that will allow the purchase and consumption of all group services from a single account. We have made good progress and plan to launch the portal during H1 2022. Looking forward, I am as positive as ever about the ZignSec group's potential.



Timm Schneider,
CEO, ZignSec AB (publ)

Group development

The quarter October to December 2021

Revenue and operating profit

The Group's net sales for Q4, 2021 amounted to SEK 22.7 (4.2) million, which corresponds to an increase of 446% compared to the same period for the previous year.

EBITDA amounted to SEK -2.9 (-4.6) million. The change is mainly due to higher gross profit from acquired companies and organic growth, offset by increased costs for development and expansion of the company's service offerings, as well as an increased investment in the sales and marketing organizations.

Development

During the fourth quarter of 2021, capitalized development expenditures after depreciation decreased by a total of SEK 0,2 million, of which SEK 0 (0) million was capitalized as work for own account. The investments are mainly related to the development and integration of new ID verification solutions as well as work with improved user-experience in portals and product flows.

Depreciation and amortization during the fourth quarter amounted to SEK -24.9 (-1.2) million. The change is mainly due to consolidated amortization and depreciation of acquired technology, customer relations and goodwill.

Financial net

Net financial items for the fourth quarter amounted to SEK -0,2 (0,1) million.

Tax

Estimated tax on profit for the third quarter amounted to SEK -0,7 (0) million.

The period January to December 2021

Revenue and operating profit

The Group's net sales for the period 2021 amounted to SEK 53.3 (14.0) million, which corresponds to an increase of 281% compared to the same period for the previous year.

EBITDA amounted to SEK -24.0 (-12.5) million. The change is mainly due to increased costs for staff and consulting services related to the development and expansion of the company's service offerings, as well as an increased investment in the sales and marketing organizations.

Development

During the period 2021, the capitalized development expenditures after depreciation decreased by a total of SEK 0,2 million, of which SEK 0 (0,3) million was activated own development work. The investments are mainly related to the development and integration of new ID verification solutions as well as work with improved user-experience in portals and product flows.

Depreciation and amortization during the period amounted to SEK -53.5 (-1.7) million. The change is mainly due to consolidated amortization and depreciation of acquired technology, customer relations and goodwill.

Financial net

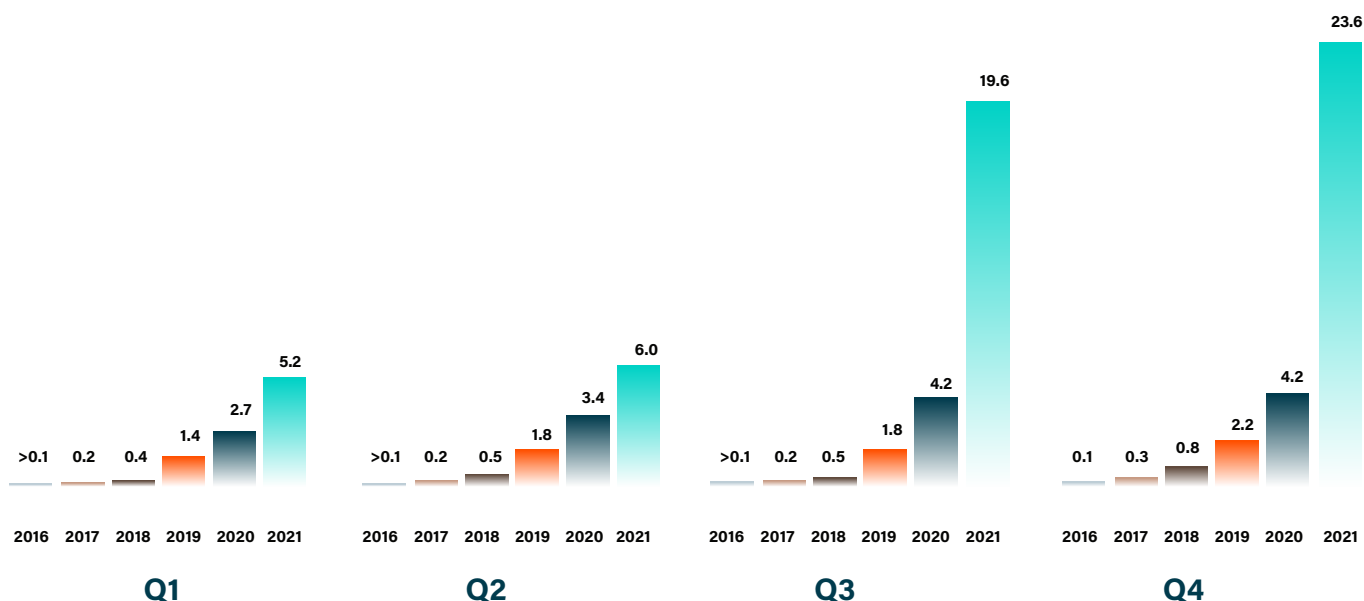
Net financial items for the period amounted to SEK -0,2 (0,1) million.

Tax

Estimated tax on profit for the period amounted to SEK -1,2 (0) million.

Quarterly turnover development 2016-2021

(mSEK)



Financial position

Financial position and liquidity

Cash

As of December 31 2021, the Group had SEK 25.9 (48.3) million in cash and cash equivalents.

Balance sheet total

The balance sheet total amounted to SEK 398.9 (74.5) million. The company will continue its initiated drive towards international expansion with focus on development and sales.

Operating cash flow

Cash flow from operating activities during the fourth quarter 2021 amounted to SEK -9.3 (-3.5) million.

Financing

ZignSec is evaluating different options for making existing cash and cash equivalents sufficient to meet current capital needs.

Investments and acquisitions

ZignSec has communicated that an acquisition strategy is being applied and will keep the market updated in the future.



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Significant events in the fourth quarter

ZignSec signed an agreement with the London Stock Exchange listed company Wise (formerly Transferwise), one of the fastest growing money transfer services. The agreement applies to the use of local eID methods in several countries to optimize the current user registration and customer verification flow.

Through its subsidiary Web Shield Services GmbH, ZignSec has signed an agreement with Deloitte Germany for the use of the product Versatile Customer Underwriting (VCU). VCU is a solution for efficient KYB processes that combines automated retrieval of corporate documents, identification of the ultimate beneficial owner, as well as PEP and sanction screenings.

ZignSec has, through its subsidiary Wyzer Limited, signed an agreement with Grant Thornton Malta. The agreement means that Grant Thornton will use ZignSec's services to digitize and automate business processes relating to customer onboarding and risk assessment of individuals and businesses.

Significant events after the end of the fourth quarter

ZignSec signed an agreement with Finaro (formerly Credorax), a licensed Merchant Acquiring Bank with cross-border acquiring services. The agreement applies to the use of ZignSec's customer due diligence-platform for Merchant Onboarding.

ZignSec acquired the remaining 30 percent of Basis ID Group as part of the long-term strategy to fully integrate Basis ID Group into ZignSec's operations and platform.

ZignSec has signed an agreement with the digital payment solution AsiaPay, which has been named one of the top growing companies in Asia. The agreement includes global ID services, PEP and sanction checks, document fraud checks and a risk engine.



Personnel

As per the date of report publication the group has 87 employees, which can be compared to 34 employees at the same time in 2020.

ZignSec continues to expand the organization, primarily in development and sales, to realize its growth target.

Briefly about the market

The global market value of digital ID verification solutions is expected to increase from \$ 13,7 billion in 2019 to \$ 30,5 billion in 2024, an annual growth rate of over 17%. Driving factors behind the market growth are the continuously increasing number of identity and authorization frauds that take place worldwide, as well as an increased focus on improving the user experience for the consumer.

The geographically highest growth until the year 2024 is expected to take place in the APAC (Asia-Pacific) region. The outlook for the future remains positive as more companies complete their digital transformation, which includes all companies that currently manage their verification processes manually or semi-manually.

Business model

ZignSec offers a platform with digital solutions for onboarding, customer due diligence and real-time ID verification to customers in regulated industries. The company's business model is based on aggregating verification methods in different countries under one umbrella that can be used to verify users digitally in over 200 countries in the world through a single API integration or via ZignSec's customer portal.

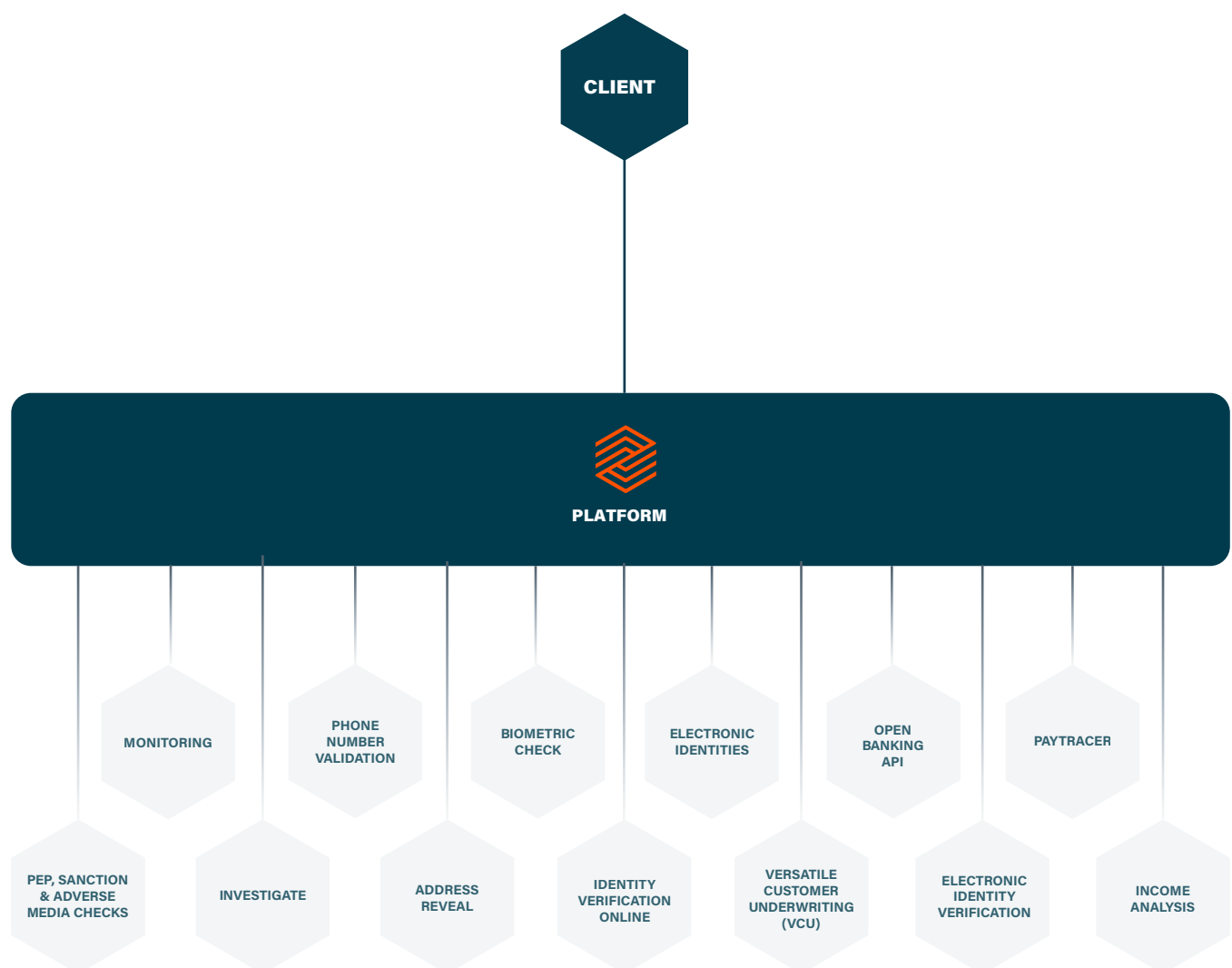
ZignSec's business model is based on low integration costs and recurring monthly and transaction fees. The company's costs mainly consist of development and integration costs as well as ongoing verification and transaction fees. After the integration, the number of transactions for each customer can increase without driving increased personnel costs.

ZignSec's customers can also add additional solutions from the company's offering or connect more markets to verify their users. This creates an incentive for the customer to use ZignSec as a complete supplier for all markets, while at the same time driving profitability for the company.

Our Platform

An easy to connect verification platform for your business

ZignSec connects into different suppliers globally and makes them available via one easy to consume interface. We digitize and automate onboarding, due diligence and monitoring processes so our customers can focus on their core business. Through our channels - API, No Code Compliance Manager and soon our new SaaS Management portal - we make it easy to perform complex compliance workflows with the least effort.



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Platform features



Electronic Identity Verification

Match personal information such as name, address, date of birth, or national ID with various data sources to quickly verify an individual.



Online Identity Verification

Allow your customers to identify themselves by letting them scan their passports, driver's licenses, ID-cards and other documents. In real-time.



Electronic Identities

Our platform offers a rapidly growing number of digital identity solutions across - the world. All available via one connection.



Phone Number Validation

Use our phone number validation service to authenticate users around the globe via SMS. With the ability to reach over 7 billion people.



Monitoring

A powerful combination of tools that automatically updates, tracks and re-checks validated information.



PayTracer

PayTracer screens payments and analyses transactions to provide instant risk scoring of the transaction and the parties involved in the transaction



Versatile Customer Underwriting (VCU)

VCU is a complete portal solution that simplifies customer onboarding in compliance with AML legislation.



Income Analysis

Our Income analysis feature gives you access to a detailed income reports without jeopardizing the privacy of your customers.



Open Banking API

Allows you to include existing bank accounts to verify identities. It allows verifying addresses and additional user credentials (varies on country and bank).



PEP, Sanction and Adverse Media Checks

Real-time access to multiple global PEP and Sanction lists, increasing both geographic coverage and quality of service.



Address Reveal

An enhanced AML to instantly verify if customers are operating from virtual addresses.



Crypto Compliance Library

A solution that enables acquirers to maintain compliance when handling crypto-currency merchants.



Investigate

Investigate is our merchant on-boarding solution offering a suite of research tools to deliver real-time underwriting.



Biometric Check

AI technology that matches an ID document photo with a selfie or video of the person in real time, and verifies that it is not a copy or an imitation.



Profit and loss

	Oct 1 - Dec 31 2021	Oct 1 - Dec 31 2020	Jan 1 - Dec 31 2021	Jan 1 - Dec 31 2020
(mSEK)				
Net turnover	22.7	4.2	53.3	14.0
Activated development work for own account	0.0	0.0	0.0	0.3
Other operating income	0.4	0.1	0.6	0.3
	23.1	4.2	53.9	14.5
Cost of sales	-5.0	-1.4	-13.9	-4.2
Other external costs	-8.6	-4.4	-29.5	-12.4
Personnel costs	-12.8	-3.0	-34.7	-10.1
Other operating costs	0.0	-0.1	-0.2	-0.3
Profit/loss from shares in associated companies	0.5	0.0	0.5	0.0
Operating profit/loss (EBITDA)	-2.9	-4.6	-24.0	-12.5
Depreciation	-24.9	-1.2	-53.5	-1.7
Operating profit/loss (EBIT)	-27.8	-5.9	-77.4	-14.2
Result from financial items				
Interest income, costs and similar items	-0.2	-0.1	-0.1	-0.1
Total result from financial items	-0.2	-0.1	-0.1	-0.1
Profit/loss before tax (EBT)	-28.0	-5.9	-77.5	-14.2
Tax	-3.3	0.0	1.1	0.0
Profit/loss for the period	-31.3	-5.9	-76.5	-14.2
Attributable to owners of the parent	-30.7	-5.3	-73.7	-13.5
Attributable to non-controlling interests	-0.6	-0.6	-2.8	-0.6



Balance sheet

Dec 31 2021

Dec 31 2020

(mSEK)

ASSETS

Non-current assets

Intangible assets

Capitalized development expenditure	2.2	2.4
Technology	2.3	2.4
Goodwill	266.9	13.5
Patent, trademarks, licenses	69.8	0.4
Total intangible assets	341.3	18.7

Tangible assets

Property, plant and equipment	1.4	0.2
Total tangible assets	1.4	0.2

Financial assets

Shares in associated companies	4.1	0.0
Total financial assets	4.1	0.0

Total non-current assets	346.7	18.9
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Current assets

Accounts receivable	9.8	2.7
Other receivables	8.4	0.9
Prepaid expenses and accrued income	8.2	3.7

Total current assets	26.4	7.3
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Cash and cash equivalents	25.9	48.3
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Total current assets	52.3	55.6
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TOTAL ASSETS	399.0	74.5
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Balance sheet

	Dec 31 2021	Dec 31 2020
(mSEK)		
EQUITY, PROVISIONS AND LIABILITIES		
EQUITY		
Share capital	1.3	0.9
Equity method reserve	0.7	0.0
Share premium reserve	317.7	77.1
Reserves (translation difference)	12.3	-0.8
Retained earnings incl. profit/loss of the period	-89.7	-15.7
Equity attributable to owners of the parent	242.3	61.4
Equity attributable to non-controlling interests	4.1	6.3
TOTAL EQUITY	246.5	67.7
PROVISIONS		
Provisions for deferred tax	15.5	0.5
Other provisions	17.3	0.0
TOTAL PROVISIONS	32.7	0.5
LIABILITIES		
Liabilities to credit institutions	1.7	0.0
Other non-current liabilities	0.0	0.0
Total non-current liabilities	1.7	0.0
Current liabilities		
Prepayments from customers	0.3	0.1
Accounts payable	4.0	2.9
Liabilities to associated companies	1.7	0.0
Tax liabilities	1.4	0.0
Other liabilities	94.0	0.4
Accrued expenses and prepaid income	16.7	2.9
Total current liabilities	118.1	6.3
TOTAL LIABILITIES	119.8	6.3
TOTAL EQUITY AND LIABILITIES	399.0	74.5



Statement of changes in equity

(mSEK)	Share capital	Share premium reserve	Reserves	Equity method reserve	Retained earnings incl. profit/loss of the period	Total	Non-controlling interests	Total equity
Statement of changes in equity								
Balance at 2021-01-01	0.9	77.1	-0.8	0.0	-15.7	61.4	6.3	67.7
Profit/Loss of the period					-73.7	-73.7	-2.8	-76.5
New share issue	0.5	240.6				241.1		241.1
- issue expenses		7.4				7.4		
Transactions with non-controlling interests					-0.3	-0.3	0.3	
Translation difference			13.1			13.1	0.3	13.5
Change in equity method reserve				0.7		0.7		0.7
Balance at 2021-12-31	1.3	317.7	12.3	0.7	-89.7	242.3	4.1	246.5



Statement of cash flow

(mSEK)	Oct 1 - Dec 31 2021	Oct 1 - Dec 31 2020	Jan 1 - Dec 31 2021	Jan 1 - Dec 31 2020
Operating activities				
Operating profit/loss	-27.8	-5.9	-77.4	-14.2
Adjustments for:				
<i>Depreciation</i>	24.9	1.2	53.5	1.7
<i>Profit/loss from shares in associated companies</i>	-0.5	0.0	-0.5	0.0
Interest received	0.0	0.0	0.0	0.0
Interest paid	-0.1	0.0	-0.1	0.0
Income tax paid	-0.5	0.0	-0.5	0.0
Cash flow from operating activities before changes in working capital	-3.9	-4.6	-25.0	-12.5
Changes in working capital				
Change in receivables	-10.2	0.7	-16.4	-1.7
Change in short-term debts	4.8	0.4	12.8	3.2
Cash flow from operating activities	-9.3	-3.5	-28.6	-11.0
Investing activities				
Investment in subsidiaries	0.0	0.0	-125.9	-6.1
Investment in intangible assets	-0.3	-6.5	-1.1	-2.1
Investment in tangible assets	-0.6	0.0	-0.7	-0.1
Cash flow from investing activities	-0.9	-6.5	-127.7	-8.2
Financing activities				
New share issue	0.0	0.1	133.8	37.9
Cash flow from financing activities	0.0	0.1	133.8	37.9
Total cash flow for the period	-10.2	-10.0	-22.4	18.7
Cash and cash equivalents at beginning of period	36.1	58.3	48.3	29.6
Cash and cash equivalents at end of period	25.9	48.3	25.9	48.3



Other information

Transactions with related parties

No transactions with related parties that have not been on a market basis have taken place.

Audit

The company's auditor is Ernst & Young AB. This Interim report has not been subject to review by the company's auditor.

Accounting principles

This Interim report for the group has been prepared in accordance with BFNAR 2012:1 Årsredovisning och koncernredovisning (K3). During 2021, no new or revised accounting principles with a material impact on the group have emerged. The accounting principles have been consistent since 2019.

When recognizing development costs the capitalization model is used.

Financial Calendar

Annual report 2021: 4 May 2022

Quarterly report 1: 25 May 2022

Annual General Meeting: 27 May 2022

Quarterly report 2: 25 August 2022

Quarterly report 3: 25 November 2022

Important information

This information is information that ZignSec AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and Securities Markets Act. The information was submitted for publication, by the contact person below, on February 25, 2022.

For further information, please contact:

Timm Schneider, CEO

Mail: tim.schneider@zignsec.com

Tel: +46 8 121 541 39

Alexander Albedj, Chairman of the Board

Mail: alexander.albedj@zignsec.com

Tel: +46 76 221 30 75